

ORIGINAL

OPEN MEETING



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MEMORANDUM

Arizona Corporation Commission

DOCKETED

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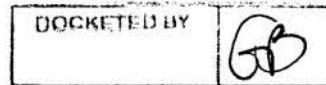
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TO: THE COMMISSION

FROM: Utilities Division

DATE: December 5, 2016



RE: IN THE MATTER OF THE JOINT APPLICATION OF UNS ELECTRIC, INC. AND MOHAVE ELECTRIC COOPERATIVE, INCORPORATED FOR AN ORDER APPROVING A BORDERLINE AGREEMENT (DOCKET NOS. E-04204A-16-0359 AND E-01750A-16-0359)

INTRODUCTION

Enclosed are Commission Staff's memorandum and proposed order for the Joint Application of UNS Electric, Inc. and Mohave Electric Cooperative, Incorporated for an Order Approving a Borderline Agreement (Docket Nos. E-04204A-16-0359 and E-01750A-16-0359). This is only a Staff recommendation to the Commission; it has not yet become an order of the Commission. The Commission can decide to accept, amend or reject Staff's proposed order.

You may file comments to the recommendation(s) of the proposed order by filing an original and thirteen (13) copies of the comments with the Commission's Docket Control Center at 1200 W. Washington St., Phoenix, AZ 85007 by 4:00 p.m. on or before **December 9, 2016**.

This matter may be scheduled for Commission deliberation at its Open Meetings scheduled **December 19, 2016**, at 10:00 a.m. and **December 20, 2016**, at 10:00 a.m.

If you have any questions about this matter, please contact Barbara Keene of our Staff at (602) 542-0853, or Jeffrey Hatch-Miller, Interim Director, at (602) 542-7270.

BACKGROUND

On October 4, 2016, UNS Electric, Inc. ("UNS Electric") and Mohave Electric Cooperative, Incorporated ("MEC") filed a joint application for approval of a borderline agreement between UNS Electric and MEC.

On June 23, 2015, UNS Electric entered into a Solar Power Purchase Agreement with LS-Cliffrose, LLC ("Cliffrose") to acquire the output of a solar facility to be built in Mohave County. Gray Hawk Solar, LLC ("Customer" and surviving entity and successor in interest to Cliffrose) intends to construct the 46 MW solar generating facility ("Solar Facility"). The Solar Power Purchase Agreement was amended on July 29, 2016. The Solar Facility is expected to be a single-axis tracking solar facility utilizing poly-silicon, crystalline photovoltaic panels. The Customer will transfer the

Renewable Energy Credits ("RECs") to UNS Electric. UNS Electric will use the RECs to meet the non-distributed generation portion of its Renewable Energy Standard and Tariff requirement.

The Customer is constructing the interconnection facilities (including a 69 kV line) needed for the Solar Facility to supply power to UNS Electric. The distance is approximately 4 to 5 miles to UNS Electric's interconnection breaker located at UNS Electric's existing transmission line. Although the interconnection point will be located in UNS Electric's certificated territory, the Solar Facility itself will be located in MEC's certificated territory.

A borderline agreement would not be necessary for UNS Electric to take power from the Solar Facility; however, UNS Electric would be providing some power to the Solar Facility. UNS Electric, as a purchaser under the Solar Power Purchase Agreement, has to supply parasitic load (energy to the generator) to maintain generation capability. In addition, the Customer has requested that UNS Electric provide the remaining incidental electric service (energy to the Customer's other electronic equipment and devices) for the 652.82-acre property in which the Solar Facility is located.

Since the Customer has already committed to funding the construction of the electric facilities needed to interconnect the property and Solar Facility with UNS Electric pursuant to the Solar Power Purchase Agreement, it would be an additional cost to the Customer to also fund an extension to MEC's facilities, even though MEC's facilities are 2.2 miles from the property in which the Solar Facility is located. There is no cost for UNS Electric to serve the Customer. UNS Electric is willing to provide the electric service for so long as it is taking power produced from the Solar Facility. The Customer would be charged according to UNS Electric's tariffed rates, most likely the Medium General Service Tariff. The average usage would be about 54,000 kWh per month with a measured peak demand of 150 kW. MEC does not object to UNS Electric providing these services to the Customer. The Customer has provided Staff with a letter of support for the Borderline Agreement.

RECOMMENDATION

Staff recommends that the proposed borderline agreement between UNS Electric and MEC to serve Gray Hawk Solar, LLC be approved.



Jeffrey M. Hatch-Miller
Interim Director
Utilities Division

JHM:BEK:nr\BES

ORIGINATOR: Barbara Keene

On this 5th day of December, 2016, the foregoing document was filed with Docket Control as a Utilities Division Memorandum & Proposed Order, and copies of the foregoing were mailed on

THE COMMISSION

December 5, 2016

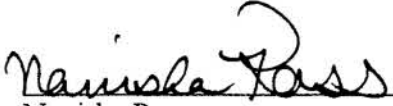
Page 3

behalf of the Utilities Division to the following who have not consented to email service. On this date or as soon as possible thereafter, the Commission's eDocket program will automatically email a link to the foregoing to the following who have consented to email service.

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Administrative Support Specialist

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DECISION NO. _____

ORDER

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1 Renewable Energy Credits ("RECs") to UNS Electric. UNS Electric will use the RECs to meet the
2 non-distributed generation portion of its Renewable Energy Standard and Tariff requirement.

3 4. The Customer is constructing the interconnection facilities (including a 69 kV line)
4 needed for the Solar Facility to supply power to UNS Electric. The distance is approximately 4 to 5
5 miles to UNS Electric's interconnection breaker located at UNS Electric's existing transmission line.
6 Although the interconnection point will be located in UNS Electric's certificated territory, the Solar
7 Facility itself will be located in MEC's certificated territory.

8 5. A borderline agreement would not be necessary for UNS Electric to take power from
9 the Solar Facility; however, UNS Electric would be providing some power to the Solar Facility. UNS
10 Electric, as a purchaser under the Solar Power Purchase Agreement, has to supply parasitic load
11 (energy to the generator) to maintain generation capability. In addition, the Customer has requested
12 that UNS Electric provide the remaining incidental electric service (energy to the Customer's other
13 electronic equipment and devices) for the 652.82-acre property in which the Solar Facility is located.

14 6. Since the Customer has already committed to funding the construction of the electric
15 facilities needed to interconnect the property and Solar Facility with UNS Electric pursuant to the
16 Solar Power Purchase Agreement, it would be an additional cost to the Customer to also fund an
17 extension to MEC's facilities, even though MEC's facilities are 2.2 miles from the property in which
18 the Solar Facility is located. There is no cost for UNS Electric to serve the Customer. UNS Electric
19 is willing to provide the electric service for so long as it is taking power produced from the Solar
20 Facility. The Customer would be charged according to UNS Electric's tarified rates, most likely the
21 Medium General Service Tariff. The average usage would be about 54,000 kWh per month with a
22 measured peak demand of 150 kW. MEC does not object to UNS Electric providing these services to
23 the Customer. The Customer has provided Staff with a letter of support for the Borderline
24 Agreement.

25 **RECOMMENDATION**

26 7. Staff has recommended that the proposed borderline agreement between UNS Electric
27 and MEC to serve Gray Hawk Solar, LLC be approved.

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CONCLUSIONS OF LAW

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2 1. UNS Electric, Inc. and Mohave Electric Cooperative, Incorporated are Arizona public
3 service corporations within the meaning of Article XV, Section 2 of the Arizona Constitution.

4 2. The Commission has jurisdiction over UNS Electric, Inc. and Mohave Electric
5 Cooperative, Incorporated and over the subject matter of the application.

6 3. The Commission, having reviewed the application and Staff's Memorandum dated
7 December 5, 2016, concludes that it is in the public interest to approve the borderline agreement
8 between UNS Electric, Inc. and Mohave Electric Cooperative, Incorporated as discussed herein.

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ORDER

IT IS THEREFORE ORDERED that the proposed borderline agreement between UNS Electric, Inc. and Mohave Electric Cooperative, Incorporated to serve Gray Hawk Solar, LLC be and hereby is approved.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN LITTLE

COMMISSIONER STUMP

COMMISSIONER FORESE

COMMISSIONER TOBIN

COMMISSIONER BURNS

IN WITNESS WHEREOF, I, JODI A. JERICH, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this _____ day of _____, 2016.

JODI A. JERICH
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

JHM:BEK:nr/BES

1 UNS Electric and MEC
2 Docket Nos. E-04204A-16-0359 and E-01750A-16-0359

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